

SEC. 416. MODIFICATION OF RULES RELATING TO FOREIGN TRUSTS WHICH ARE NOT GRANTOR TRUSTS.

(a) MODIFICATION OF INTEREST CHARGE ON ACCUMULATION DISTRIBUTIONS.—Subsection (a) of section 668 (relating to interest charge on accumulation distributions from foreign trusts) is amended to read as follows:

“(A) GENERAL RULE.—For purposes of the tax determined under section 667(a)—

“(1) INTEREST DETERMINED USING UNDERPAYMENT RATES.—The interest charge determined under this section with respect to any distribution is the amount of interest which would be determined on the partial tax computed under section 667(b) for the period described in paragraph (2) using the rates and the method under section 6621 applicable to underpayments of tax.

“(2) PERIOD.—For purposes of paragraph (1), the period described in this paragraph is the period which begins on the date which is the applicable number of years before the date of the distribution and which ends on the date of the distribution.

“(3) APPLICABLE NUMBER OF YEARS.—For purposes of paragraph (2)—

“(A) IN GENERAL.—The applicable number of years with respect to a distribution is the number determined by dividing—

“(i) the sum of the products described in subparagraph (B) with respect to each undistributed income year, by

“(ii) the aggregate undistributed net income.

The quotient determined under the preceding sentence shall be rounded under procedures prescribed by the Secretary.

“(B) PRODUCT DESCRIBED.—For purposes of subparagraph (A), the product described in this subparagraph with respect to any undistributed income year is the product of—

“(i) the undistributed net income for such year, and

“(ii) the sum of the number of taxable years between such year and the taxable year of the distribution (counting in each case the undistributed income year but not counting the taxable year of the distribution).

“(4) UNDISTRIBUTED INCOME YEAR.—For purposes of this subsection, the term ‘undistributed income year’ means any prior taxable year of the trust for which there is undistributed net income, other than a taxable year during all of which the beneficiary receiving the distribution was not a citizen or resident of the United States.

“(5) DETERMINATION OF UNDISTRIBUTED NET INCOME.—Notwithstanding section 666, for purposes of this subsection, an accumulation distribution from the trust shall be treated as reducing proportionately the undistributed net income for undistributed income years.

“(6) PERIODS BEFORE 1996.—Interest for the portion of the period described in paragraph (2) which occurs before January 1, 1996, shall be determined—

“(A) by using an interest rate of 6 percent, and

“(B) without compounding until January 1, 1996.”

(b) ABUSIVE TRANSACTIONS.—Section 643(a) is amended by inserting after paragraph (6) the following new paragraph:

“(7) ABUSIVE TRANSACTIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations to prevent avoidance of such purposes.”

(c) TREATMENT OF LOANS FROM TRUSTS.—

(1) IN GENERAL.—Section 643 (relating to definitions applicable to subparts A, B, C, and D) is amended by adding at the end the following new subsection:

“(i) LOANS FROM FOREIGN TRUSTS.—For purposes of subparts B, C, and D—

“(1) GENERAL RULE.—Except as provided in regulations, if a foreign trust makes a loan of cash or marketable securities directly or indirectly to—

“(A) any grantor or beneficiary of such trust who is a United States person, or

“(B) any United States person not described in subparagraph (A) who is related to such grantor or beneficiary,

the amount of such loan shall be treated as a distribution by such trust to such grantor or beneficiary (as the case may be).

“(2) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) CASH.—The term ‘cash’ includes foreign currencies and cash equivalents.

“(B) RELATED PERSON.—

“(i) IN GENERAL.—A person is related to another person if the relationship between such persons would result in a disallowance of losses under section 267 or 707(b). In applying section 267 for purposes of the preceding sentence, section 267(c)(4) shall be applied as if the family of an individual includes the spouses of the members of the family.

“(ii) ALLOCATION.—If any person described in paragraph (1)(B) is related to more than one person, the grantor or beneficiary to whom the treatment under this subsection applies shall be determined under regulations prescribed by the Secretary.

“(C) EXCLUSION OF TAX-EXEMPTS.—The term ‘United States person’ does not include any entity exempt from tax under this chapter.

“(D) TRUST NOT TREATED AS SIMPLE TRUST.—Any trust which is treated under this subsection as making a distribution shall be treated as not described in section 651.

“(3) SUBSEQUENT TRANSACTIONS REGARDING LOAN PRINCIPAL.—If any loan is taken into account under paragraph (1), any subsequent transaction between the trust and the original borrower regarding the principal of the loan (by way of complete or partial repayment, satisfaction, cancellation, discharge, or otherwise) shall be disregarded for purposes of this title.”

(2) TECHNICAL AMENDMENT.—Paragraph (8) of section 7872(f) is amended by inserting “, 643(i),” before “or 1274” each place it appears.

(d) EFFECTIVE DATES.—

(1) INTEREST CHARGE.—The amendment made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

(2) ABUSIVE TRANSACTIONS.—The amendment made by subsection (b) shall take effect on the date of the enactment of this Act.

(3) LOANS FROM TRUSTS.—The amendment made by subsection (c) shall apply to loans of cash or marketable securities made after September 19, 1995.

SEC. 417. RESIDENCE OF TRUSTS, ETC.

(a) TREATMENT AS UNITED STATES PERSON.—

(1) IN GENERAL.—Paragraph (30) of section 7701(a) is amended by striking “and” at the end of subparagraph (C) and by striking subparagraph (D) and by inserting the following new subparagraphs:

“(D) any estate (other than a foreign estate, within the meaning of paragraph (31)), and

“(E) any trust if—

“(i) a court within the United States is able to exercise primary supervision over the administration of the trust, and

“(ii) one or more United States fiduciaries have the authority to control all substantial decisions of the trust.”

(2) CONFORMING AMENDMENT.—Paragraph (31) of section 7701(a) is amended to read as follows:

“(31) FOREIGN ESTATE OR TRUST.—

“(A) FOREIGN ESTATE.—The term ‘foreign estate’ means an estate the income of which, from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includible in gross income under subtitle A.

“(B) FOREIGN TRUST.—The term ‘foreign trust’ means any trust other than a trust described in subparagraph (E) of paragraph (30).”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply—

(A) to taxable years beginning after December 31, 1996, or

(B) at the election of the trustee of a trust, to taxable years ending after the date of the enactment of this Act.

Such an election, once made, shall be irrevocable.

(b) DOMESTIC TRUSTS WHICH BECOME FOREIGN TRUSTS.—

(1) IN GENERAL.—Section 1491 (relating to imposition of tax on transfers to avoid income tax) is amended by adding at the end the following new flush sentence:

“If a trust which is not a foreign trust becomes a foreign trust, such trust shall be treated for purposes of this section as having transferred, immediately before becoming a foreign trust, all of its assets to a foreign trust.”

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect on the date of the enactment of this Act.

After debate,

The SPEAKER pro tempore, Mrs. MORELLA, pursuant to the special order heretofore agreed to, announced that further consideration of the bill was postponed.

§55.25 LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted—

To Mr. DICKEY, for today after 6 p.m. and balance of the week;

To Mr. HOUGHTON, for today until 5:30 p.m.; and

To Mrs. FOWLER, for today until 11:30 a.m.

And then,

§55.26 ADJOURNMENT

On motion of Mr. KINGSTON, at 11 o'clock and 55 minutes p.m., the House adjourned.

§55.27 REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the property calendar, as follows:

Mr. HYDE: Committee on the Judiciary. H.R. 2604. A bill to amend title 28, United States Code, to authorize the appointment of additional bankruptcy judges, and for other purposes (Rept. No. 104-569). Referred to the Committee of the Whole House on the State of the Union.

Mr. SOLOMON: Committee on Rules. House Resolution 430. Resolution providing for consideration of the bill (H.R. 3230) to authorize appropriations for fiscal year 1997 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 1997, and for other purposes (Rept. No. 104-570). Referred to the House Calendar.

§55.28 PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolu-

tions were introduced and severally referred as follows:

By Mr. BONO (for himself, Mr. MCCOLLUM, Mr. SMITH of Texas, Mr. BARR, and Mr. FLANAGAN):

H.R. 3422. A bill to amend chapter 1 of title 9 of the United States Code to permit each party to certain contracts to accept or reject arbitration as a means of settling disputes under the contracts; to the Committee on the Judiciary.

By Mr. CAMPBELL (for himself, Mr. MCINTOSH, Mr. CLINGER, Mr. PACKARD, Mr. BONO, Mr. UPTON, Mr. HORN, Mr. SCARBOROUGH, Mr. LARGENT, Mr. CASTLE, and Mr. ZELIFF):

H.R. 3423. A bill to provide that an individual may not serve more than two terms as a member of any independent regulatory commission, and to authorize an individual to continue to serve as a member of an independent regulatory commission for not more than 1 year following the expiration of the term of the individual; to the Committee on Government Reform and Oversight.

By Mr. JOHNSON of South Dakota (for himself and Mr. POMEROY):

H.R. 3424. A bill to amend the Agricultural Marketing Act of 1946 and the Packers and Stockyards Act, 1921, to provide for increased regulation of slaughterhouses; to the Committee on Agriculture.

By Mr. KLECZKA (for himself, Mr. STARK, Mr. GIBBONS, Mr. JACOBS, Mr. PALLONE, Mr. CARDIN, Mr. MATSUI, Mr. LEWIS of Georgia, Mr. COYNE, Mrs. KENNELLY, Mr. McDERMOTT, Mr. NEAL of Massachusetts, Mr. PAYNE of Virginia, Mr. RANGEL, Mr. McNULTY, Mr. LEVIN, Mr. FORD, and Ms. McKINNEY):

H.R. 3425. A bill to amend the Internal Revenue Code of 1986 to require health insurance coverage and group health plans that provide coverage of childbirth to provide coverage for a minimum inpatient stay following childbirth; to the Committee on Ways and Means.

By Mr. KLUG (for himself, Mr. STARK, and Mr. NUSSLE):

H.R. 3426. A bill to amend title XVIII of the Social Security Act to apply standards to outpatient physical therapy provided as an incident to a physician's professional services; to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. NETHERCUTT (for himself, Mr. HOSTETTLER, Mr. CRANE, Mr. MCINTOSH, and Ms. DUNN of Washington):

H.R. 3427. A bill to amend the Internal Revenue Code of 1986 to allow a deduction for the old-age, survivors, and disability insurance taxes paid by employees and self-employed individuals, and for other purposes; to the Committee on Ways and Means.

By Mr. OXLEY:

H.R. 3428. A bill for the relief of certain former spouses of employees of the Federal Government; to the Committee on Government Reform and Oversight.

By Mr. SAXTON:

H.R. 3429. A bill to amend the Safe Drinking Water Act to provide for annual consumer confidence reports regarding contaminants in drinking water; to the Committee on Commerce.

By Mr. UPTON (for himself and Mr. FARR):

H.R. 3430. A bill to amend the Internal Revenue Code of 1986 to eliminate the requirement that States pay unemployment compensation on the basis of services performed by election workers; to the Committee on Ways and Means.

By Mr. WHITFIELD (for himself, Mr. OXLEY, Mr. STEARNS, and Mrs. COLLINS of Illinois):

H.R. 3431. A bill to amend the Armored Car Industry Reciprocity Act of 1993 to clarify certain requirements and to improve the flow of interstate commerce; to the Committee on Commerce.

By Mr. WICKER (for himself, Mr. TAYLOR of Mississippi, and Mr. PARKER):

H.R. 3432. A bill to designate certain locks and dams of the Tennessee-Tombigbee Waterway; to the Committee on Transportation and Infrastructure.

By Mr. FORBES:

H. Con. Res. 173. Concurrent resolution expressing the sense of the Congress that a postage stamp should be issued in recognition of the services rendered by this Nation's volunteer firefighters; to the Committee on Government Reform and Oversight.

By Mr. NEUMANN:

H. Con. Res. 174. Concurrent resolution establishing the congressional budget for the U.S. Government for fiscal year 1997 and setting forth appropriate budgetary levels for fiscal years 1998, 1999, 2000, 2001, and 2002; to the Committee on the Budget.

By Mr. MARKEY (for himself, Ms. PELOSI, Mr. BRYANT of Texas, and Mr. SPRATT):

H. Res. 429. Resolution expressing the sense of the House of Representatives with respect to the compliance of the People's Republic of China with its intellectual property rights enforcement agreement with the United States and its accession to the World Trade Organization; to the Committee on Ways and Means.

55.29 ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 65: Mr. WATT of North Carolina and Mr. CONDIT.

H.R. 103: Mr. HALL of Texas and Mr. QUINN.

H.R. 303: Mr. CONDIT, Mr. THOMPSON, and Mr. TORKILDSEN.

H.R. 350: Mr. DICKEY.

H.R. 351: Mr. BEREUTER, Mr. BAKER of Louisiana, Mr. BARR, and Mr. HOKE.

H.R. 598: Mr. ALLARD, Mr. LAFALCE, Mr. BARR, Mr. BALDACCI, Mr. EDWARDS, and Mr. SPENCE.

H.R. 820: Mr. COBURN, Mr. LIGHTFOOT, Mr. ALLARD, Mr. FOLEY, Mr. CHAPMAN, Ms. WOOLSEY, Mr. ROTH, and Mr. BENTSEN.

H.R. 911: Mr. HAYWORTH and Mr. WILLIAMS.

H.R. 957: Mr. CAMPBELL.

H.R. 972: Mr. BARCIA of Michigan.

H.R. 1003: Mr. BAKER of California.

H.R. 1046: Mr. SISISKY.

H.R. 1090: Mr. WATTS of Oklahoma.

H.R. 1110: Mr. NEUMANN.

H.R. 1136: Ms. McKINNEY, Mr. MOAKLEY, Mr. NEAL of Massachusetts, and Mr. DOOLEY.

H.R. 1423: Mrs. LOWEY.

H.R. 1462: Mr. HOBSON, Mr. FIELDS of Texas, Mrs. MALONEY, Mrs. SEASTRAND, Mr. WOLF, Mr. BEREUTER, Mr. JACOBS, Mr. OWENS, Mr. WILSON, Mr. LAFALCE, Mr. BUNN of Oregon, and Mr. NADLER.

H.R. 1483: Mr. CLEMENT, Mr. BISHOP, and Mr. DOYLE.

H.R. 1484: Mr. HASTINGS of Florida.

H.R. 1666: Mr. EHLERS.

H.R. 1701: Mr. LUTHER.

H.R. 1733: Ms. WOOLSEY and Mrs. SMITH of Washington.

H.R. 1776: Mr. PORTMAN, Mr. ZIMMER, Mr. VISLOSKEY, Mr. PICKETT, Mr. MYERS of Indiana, and Mr. BORSKI.

H.R. 2026: Mr. DEUTSCH, Mr. GEJDENSON, Mr. FRAZER, Mrs. FOWLER, Mr. FRANKS of Connecticut, Mr. SAM JOHNSON, Mr. KINGSTON, Mrs. MYRICK, and Mr. SPENCE.

H.R. 2065: Mr. KLINK.

H.R. 2144: Mr. KLUG.

H.R. 2270: Mr. BAKER of Louisiana, Mr. ENGLISH of Pennsylvania, Mr. BLILEY, Mr. DUNCAN, Mr. TAUZIN, and Mr. GILLMOR.

H.R. 2335: Mr. EHLERS, Mr. WATTS of Oklahoma, Mr. LEWIS of Georgia, Mr. LINDER, Mr. CRAPO, Mrs. VUCANOVICH, Mr. HANCOCK, Mr. NEUMANN, Mrs. CHENOWETH, Mr. JEFFERSON, Mr. BARR, Mr. EHRLICH, Mr. YOUNG of Alaska, Mr. WISE, and Mr. ISTOOK.

H.R. 2500: Mr. ROGERS, Mr. CHRISTENSEN, and Ms. GREENE of Utah.

H.R. 2530: Mr. LUTHER.

H.R. 2582: Mr. OXLEY and Mr. EWING.

H.R. 2604: Mr. HORN.

H.R. 2701: Mrs. MEEK of Florida.

H.R. 2705: Ms. MILLENDER-MCDONALD, Mr. BALDACCI, Mr. BISHOP, Mr. COYNE, Mr. GUTIERREZ, Ms. JACKSON-LEE, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. MASCARA, Mr. MORAN, Mr. SCOTT, and Mr. HOLDEN.

H.R. 2820: Mr. ROBERTS.

H.R. 2927: Mr. NEY and Mrs. CUBIN.

H.R. 2943: Mr. PORTER.

H.R. 3079: Mr. HUTCHINSON.

H.R. 3119: Mr. WATTS of Oklahoma, Ms. SLAUGHTER, and Mr. PICKETT.

H.R. 3142: Mr. WELLER, Mr. BAKER of Louisiana, Mr. SHAW, Mr. BROWDER, Mr. WILLIAMS, Mr. ZIMMER, and Mr. EDWARDS.

H.R. 3173: Mr. FLANAGAN, Mr. DIXON, and Mr. GORDON.

H.R. 3187: Mr. DeFAZIO, Mr. NADLER, Ms. RIVERS, Mr. FILNER, Mr. PAYNE of New Jersey, Mr. OBERSTAR, Miss COLLINS of Michigan, Mr. CUMMINGS, and Mr. WYNN.

H.R. 3195: Mr. FIELDS of Texas and Mr. HOEKSTRA.

H.R. 3226: Mrs. THURMAN, Mr. BARRETT of Wisconsin, and Mr. LIPINSKI.

H.R. 3244: Mr. FAZIO of California.

H.R. 3246: Mr. STOKES.

H.R. 3250: Mrs. KELLY, Mr. WISE, Mr. PORTER, Ms. PELOSI, Mr. HINCHEY, and Mr. NUSSLE.

H.R. 3275: Mr. BAKER of Louisiana.

H.R. 3305: Mr. NEY and Mr. GRAHAM.

H.R. 3310: Mr. COBLE and Mr. DUNCAN.

H.R. 3324: Mr. ENSIGN and Mr. HOEKSTRA.

H.R. 3338: Mr. POMBO.

H.R. 3348: Mr. FOX.

H.R. 3354: Mr. PETERSON of Minnesota and Mr. STUMP.

H.R. 3383: Mr. BOEHLERT.

H.R. 3392: Mrs. SCHROEDER, Mr. OBERSTAR, Mr. HASTINGS of Florida, Mr. BECERRA, and Mr. BALDACCI.

H.R. 3396: Mr. ISTOOK, Mr. DORNAN, Mr. STOCKMAN, Mr. DEAL of Georgia, Mr. BURTON of Indiana, Mr. PETRI, Mr. COLLINS of Georgia, Mr. NEY, Mr. COOLEY, Mr. HILLEARY, Mr. FUNDERBURK, and Mr. NORWOOD.

H.R. 3398: Mrs. KELLY, Ms. RIVERS, Mr. HYDE, Mr. FLANAGAN, and Mr. PALLONE.

H. Con. Res. 10: Mr. BARR and Mr. DINGELL.

H. Con. Res. 139: Mr. BOEHLERT.

H. Con. Res. 151: Mr. EVANS.

H. Con. Res. 154: Mr. FLAKE, Mr. LEVIN, Mrs. LOWEY, and Mr. MEEHAN.

H. Con. Res. 169: Mr. FUNDERBURK, Mr. PETRI, Mr. STUMP, Mr. ROHRBACHER, Mr. FOLEY, Mr. BUYER, Mr. PORTMAN, Mr. HASTERT, Mr. SKEEN, Mr. BAKER of Louisiana, Mr. DORNAN, Mr. WELDON of Florida, Mr. SCHIFF, Mr. SCHAEFER, Mr. CAMPBELL, Mr. FRANKS of New Jersey, Mr. EHRLICH, Mr. MANZULLO, Mr. CLINGER, Mr. CRAPO, Mr. MCKEON, Mr. KING, Mr. LARGENT, Mr. LAHOOD, and Mr. WHITFIELD.

H. Res. 30: Mr. BILIRAKIS, Mr. REGULA, and Mr. CAMPBELL.

H. Res. 49: Mr. MANZULLO.

H. Res. 348: Mr. HILLEARY, Mrs. KELLY, and Mr. BARR.

55.30 DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows: